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Section 285.305



*Philadelphia
Suburban
Corporation*

*Edward Jones Mid-Cap
Utility Conference*

April 5, 2000

Forward looking statement

This presentation contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. These forward-looking statements include statements regarding the Company's development, growth and expansion plans and the sufficiency of the Company's liquidity and capital. These statements are based on assumptions made by management regarding future circumstances over which the Company may have little or no control. Actual results may differ materially from these forward-looking statements for a number of reasons, including (1) the effects of regulation, (2) changes in capital requirements and funding, and (3) acquisitions. Several charts are based on PSC's calculations and interpretations from publicly available documents.



Water

A Unique Investment Opportunity

- ***Water Industry not facing deregulation, competition or product substitute***
- ***Consolidating industry - growth opportunities***
- ***Few publicly-traded water utilities - only two companies with market caps over \$500 million***

NOTES:



US Water Facts

■ **Water:**

- **55,000 systems**
- **85% of the systems serve less than 3,300 people**
- **85% of the population served by governmental entities**
- **22 million people served by individual wells**
- **2% of the water systems serve more than 50,000 people**



US Water Facts

<u>Total US Population</u>	<u>270 million</u>
Wells	22 million
47,000 small systems serving < 3,300 people	25 million
4,300 medium systems serving < 10,000 people	25 million
2,500 large systems serving > 10,000 people	119 million
1,000 large systems serving > 50,000 people	79 million



US Water / Wastewater Facts

- **Over \$250B will be spent on water / wastewater over next 20 years**
- **\$100B in wastewater to meet environmental standards**
 - **Infiltration and Inflow in collection systems**
- **\$150B on water systems - mostly for infrastructure**
 - **\$35 billion on the 47,000 small systems < 3,300 people**
 - **\$45 billion on the 7,000 medium systems < 50,000 people**
 - **\$70 billion on the 1,000 large systems > 50,000 people**
- **No federal grant program / \$1.5 billion loan program annually**



Source: EPA

Reasons to Invest in PSC

- ***Growing company in consolidating industry***
- ***Focused, quality management with proven track record of growth-through-acquisitions and achieving superior returns to investors***
- ***EPS, dividend growth; attractive payout ratio***
- ***Expanded platform for growth, currently in five states with successful Consumers merger***
- ***Relationship with U.S. Filter / Vivendi***



Interest Rate “Non-Sensitivity”

- *PSC not solely a yield play - historically does not trade on dividend*
- *Trades on strong earnings growth record*
- *Interest rate increases actually works in PSC's favor in equity return determination by regulators*



PSC Strategy

- ***Enhance regulated business profit***
 - ***cost containment / capital additions***
- ***Disciplined Growth-through-Acquisition - grows customer base and net income***
- ***Augment earnings with unregulated revenue potential - U.S. Filter alliance***
- ***Steady long-term earnings growth***

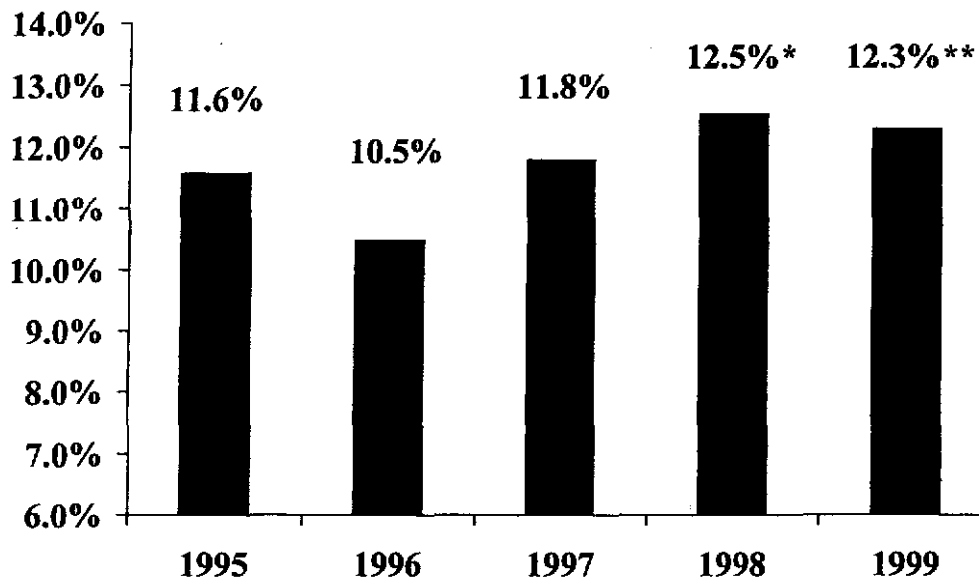


Development of Rate Base

- *Increase rate base to address infrastructure needs*
- *Interest rate increases drive higher return on equity employed*
- *Using equity capital to support infrastructure rehabilitation is accretive to earnings*



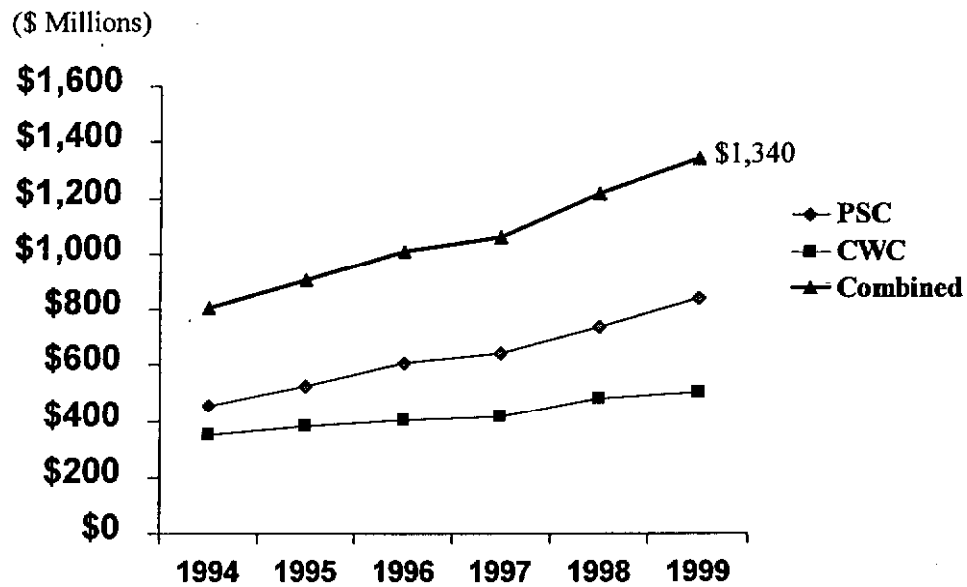
Return on Equity



* Includes \$3.9 million non-recurring gain for sale of New Hampshire operation net of tax

** Excludes \$8.6 million merger costs net of tax

Utility Plant in Service



DSC

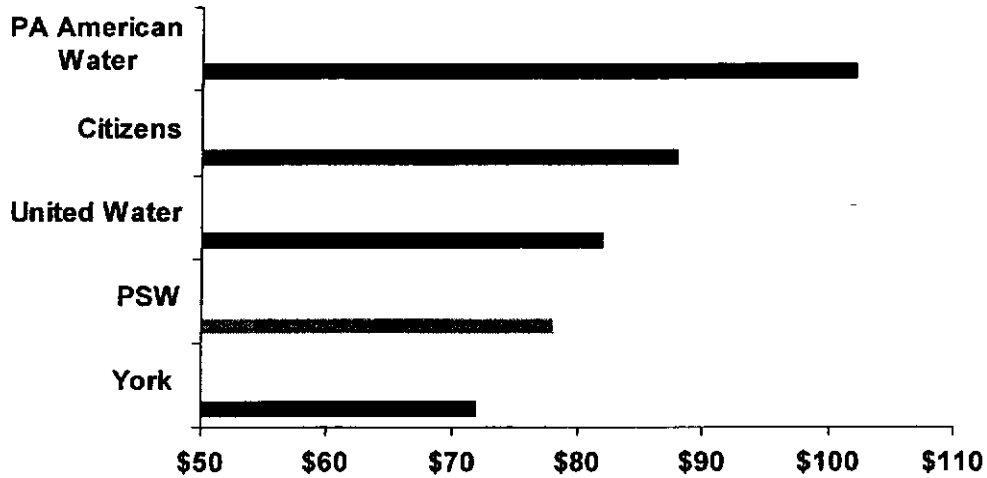
Regulatory Achievements

- ***Superior customer service***
- ***Favorable rates comparison***
- ***Better than 99% collection rate***
- ***Distribution System Improvement Charge (DSIC)***



PSW vs. PA Investor-Owned Water Utilities

Comparison of Quarterly Residential Rates



Rate Plan 2000

- *PSW - \$28 million requested*
- *CWC - ten rate filings planned*
- *DSIC - enacted in PA and IL and legislation planned NJ*



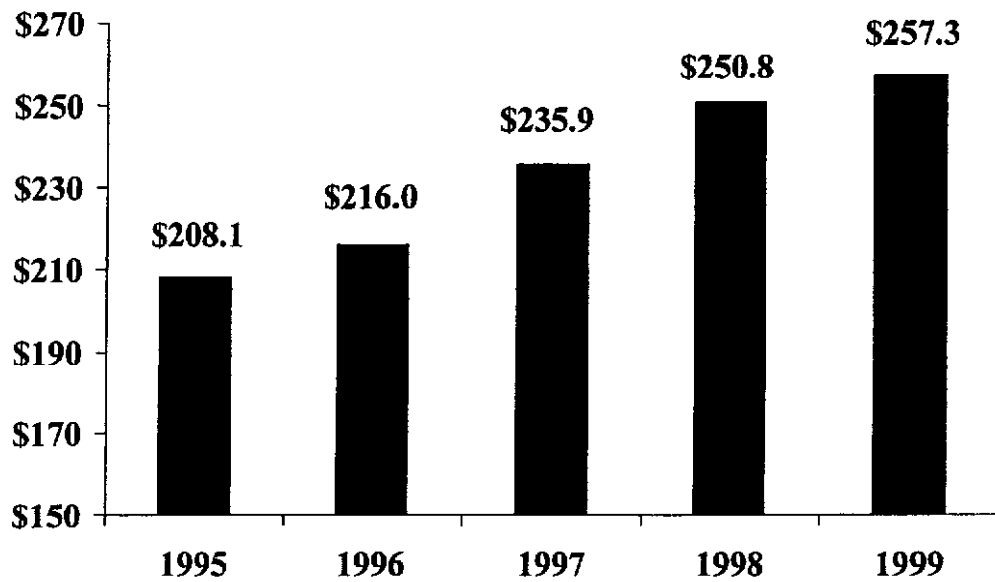
Factors Effecting Top Line Growth

- **Unit growth - grow customer base**
- **Price growth -**
 - *continually investing capital in infrastructure*
 - *Successful rate cases*
 - *DSIC - surcharges for pipe replacement in PA and IL*

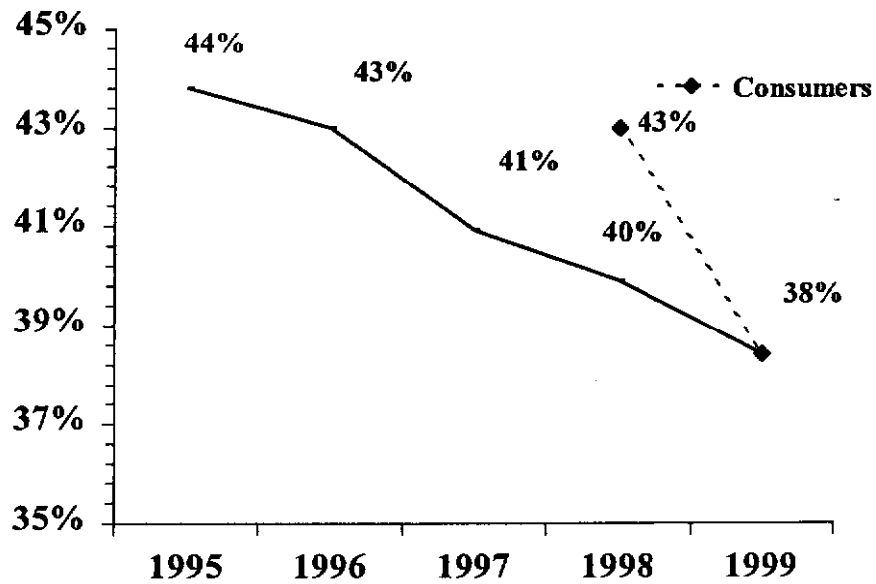


Operating Revenues

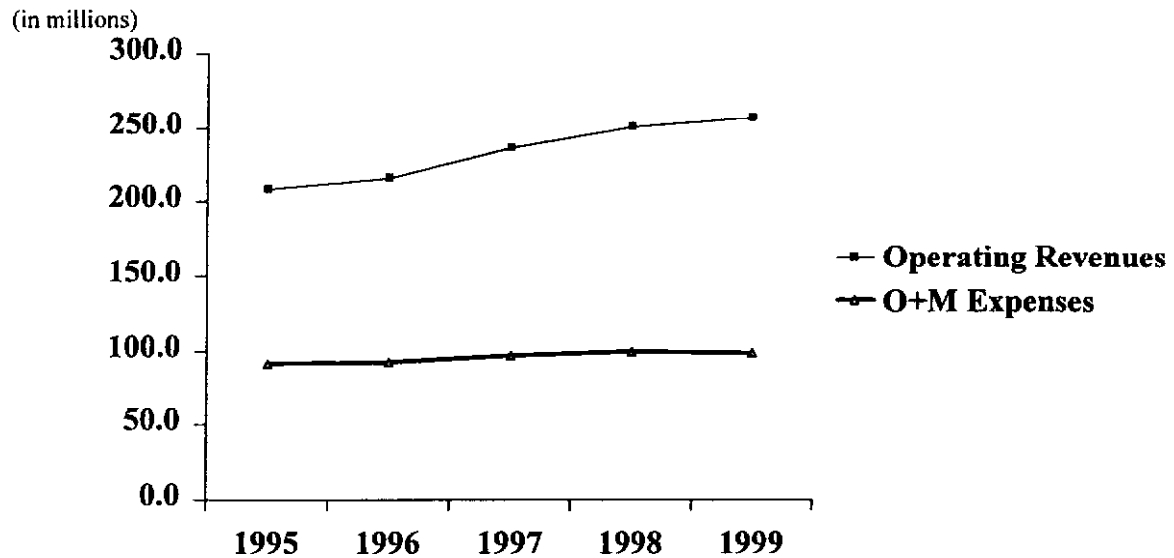
(in millions)



PSC Operations & Maintenance Expenses as a Percentage of Operating Revenues



Increasing Operating Profit



PSC Strategy

- ***Disciplined Growth-through-Acquisition - grows customer base and net income***
- ***Enhance regulated business profit***
 - ***cost containment / capital additions***
- ***Augment earnings with unregulated revenue potential - U.S. Filter alliance***
- ***Steady long-term earnings growth***



Factors Driving Consolidation

- *Economies of scale/effective management*
- *Stringent environmental regulations*
- *Investment in technology*
- *Major infrastructure capital investment required*



Consolidation Models

- *World wide large municipal privatizations*
 - *Key players: Vivendi, Lyonnaise des Eaux, British water companies, Azurix (Enron)*

- *Domestic*
 - *Purchase assets: PSC, American Water Works*
 - *Operating contracts: U.S. Filter, United Water, Azurix, A&E firms, British water Companies*



Recent Industry Mergers Over Past Year

<u>Buyer</u>	<u>Target</u>	<u>\$/Customer</u>	<u>xBOOK</u>	<u>xEBIT</u>	<u>xEBITDA</u>
PSC	CONW	\$2,045	2.5	14.50	10.20
Kelda	WTR	\$4,096	2.9	13.00	9.80
Suez	UWR	\$4,154	3.0	22.60	15.80
AWK	CZN	\$2,738	N/A	28.00	19.30
AWK	SJW	\$2,223	2.9	15.80	11.90
Thames	ETW	\$4,732	2.7	18.10	14.00



PSC: Successful Growth-through-Acquisition Strategy

- **Completed combination of 48 acquisitions, O&M agreements, bulk water sales, service territory expansions in 5 years**
 - **16 new ventures completed in 1998/1999**
- **Compounded annual customer growth rate over 4% since 1994**
 - **Avoids reliance solely on rate increases**
- **Capitalizing on economies of scale**

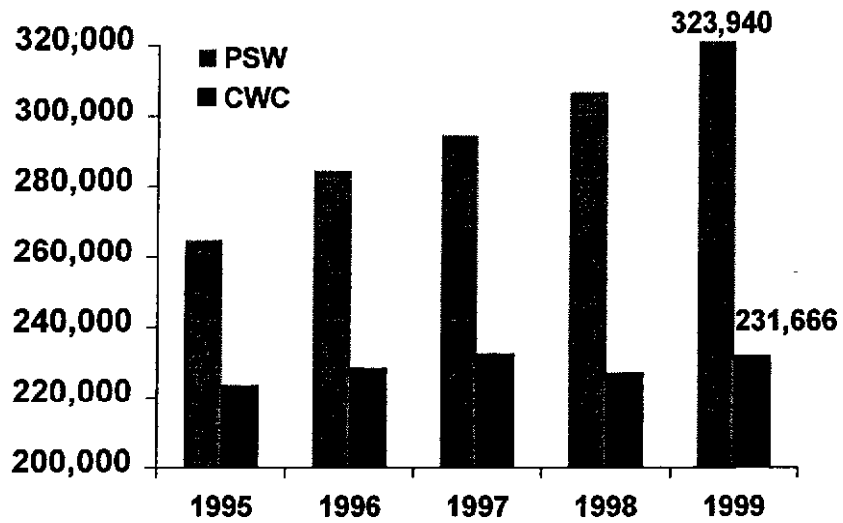


PSC: Reasons for Acquisition Success

- *Superior customer service record / competitive rates*
- *Meet and exceed SDWA requirements*
- *Sufficient capacity / technological leader*
- *Effective government relations*

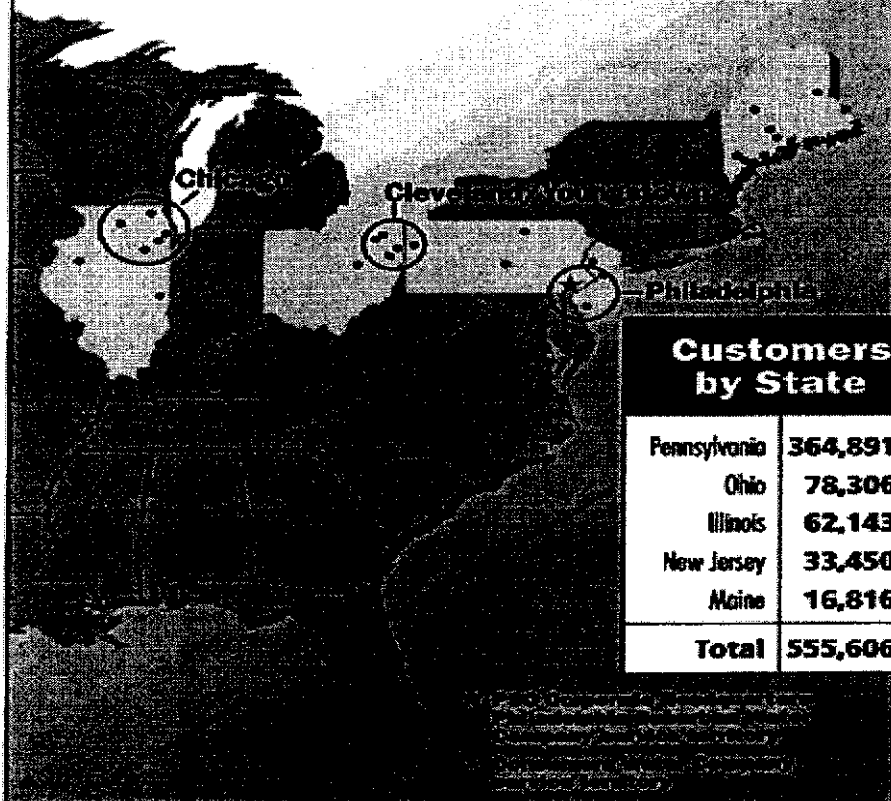


Customers



1999 Combined 555,606

PSC



PSC Strategy

- ***Augment earnings with unregulated revenue potential - U.S. Filter alliance***
- ***Steady long-term earnings growth***
- ***Enhance regulated business profit***
 - ***cost containment / capital additions***
- ***Disciplined Growth-through-Acquisition - grows customer base and net income***



Unregulated Revenue Potential

- **Suburban Environmental Services Company**
 - **Suburban/Rural Development**
 - **Contract Operations**
 - **Design-Build-Operate (DBO)**
- **Laboratory Services**
- **Energy Consulting Services and other services**
- **Land Sales**



US Filter / PSC Operating Partnership

- *Partner with US Filter in PA, IL, OH, NJ, ME*
- *Provide US Filter with Expertise / Services:*
 - *Customer Service, Information Services*
 - *Governmental and Regulatory Programs*
 - *Lab, Engineering, Other Operational Services*
- *Market and Sales Potential for US Filter Products*

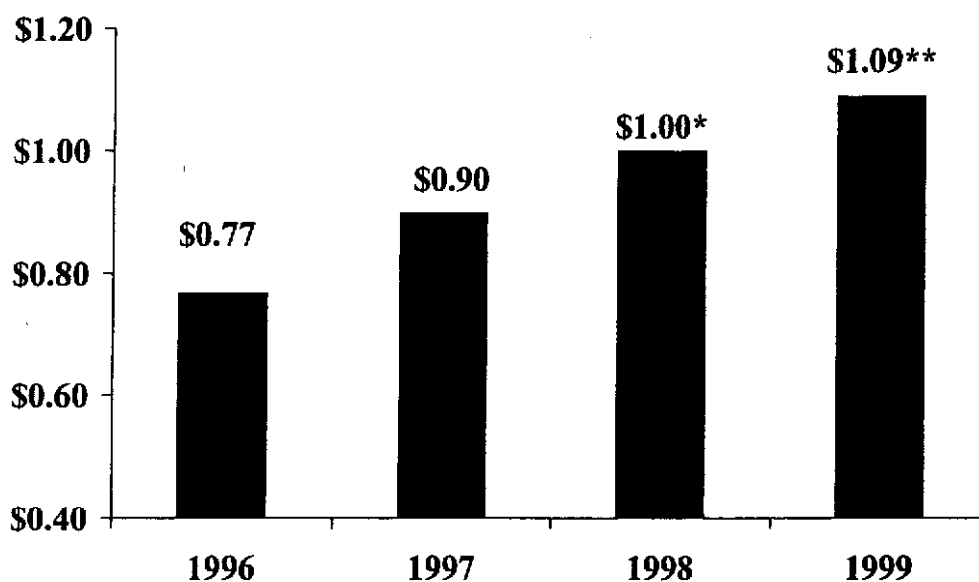


PSC Strategy

- ***Steady long-term earnings growth***
- ***Enhance regulated business profit***
 - ***cost containment / capital additions***
- ***Disciplined Growth-through-Acquisition - grows customer base and net income***
- ***Augment earnings with unregulated revenue potential - U.S. Filter alliance***



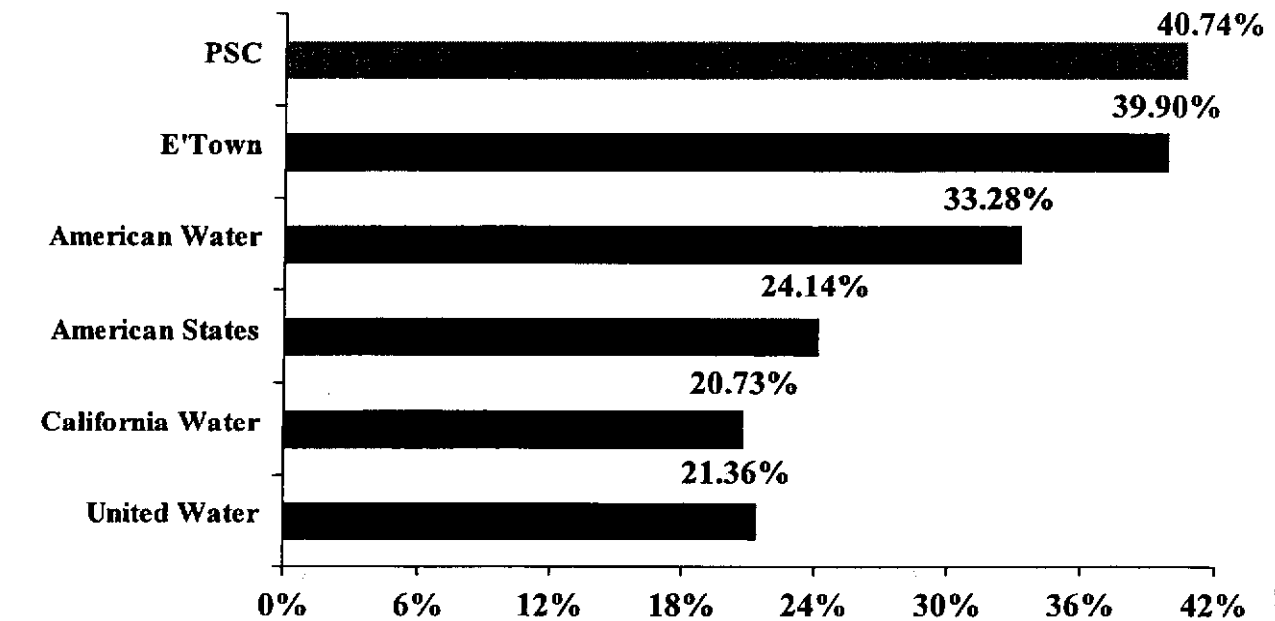
Diluted Income from Continuing Operations Per Common Share



* Includes \$3.9 million gain for sale of New Hampshire system net of tax

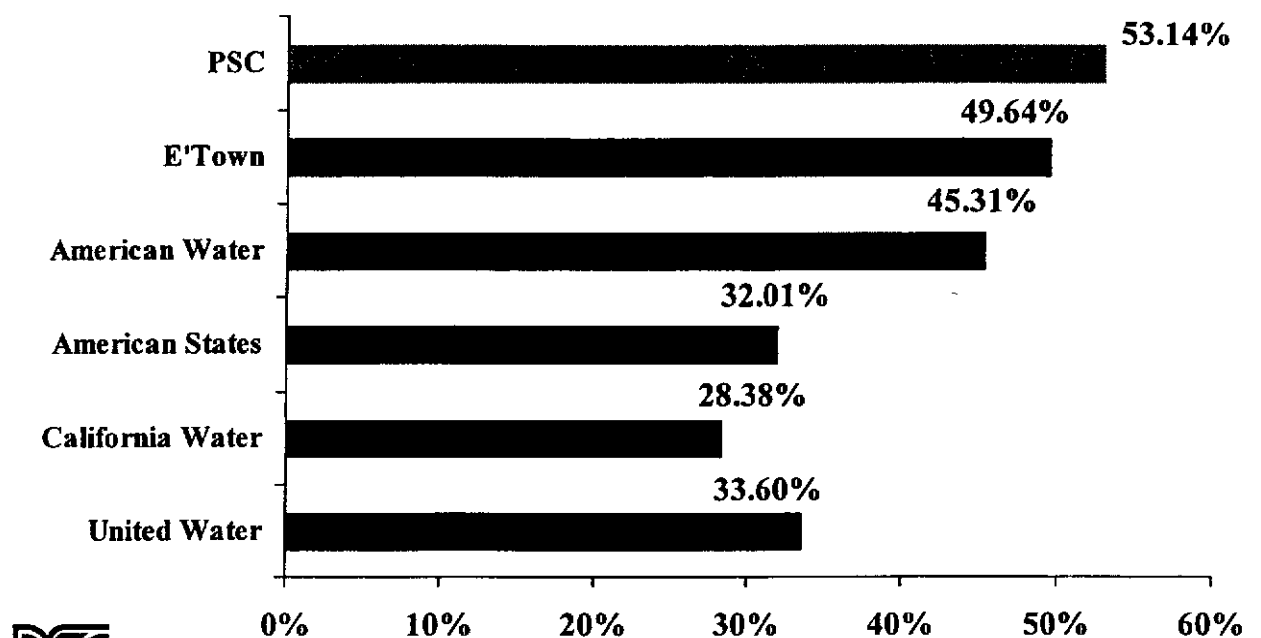
** Excludes \$8.6 million of merger and restructuring costs net of tax

EBIT as a % of Revenue



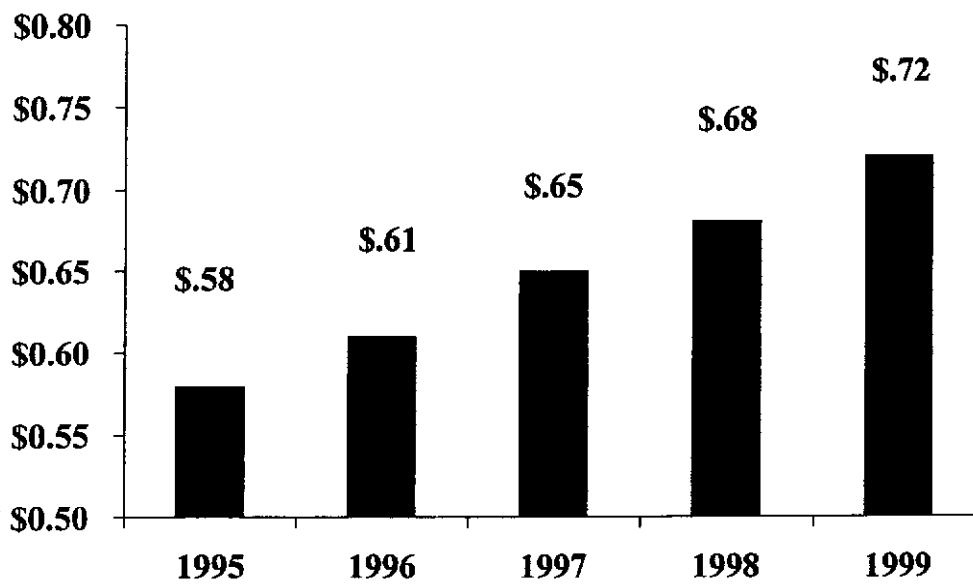
Year-ended 12/31/99

EBITDA as a % of Revenue

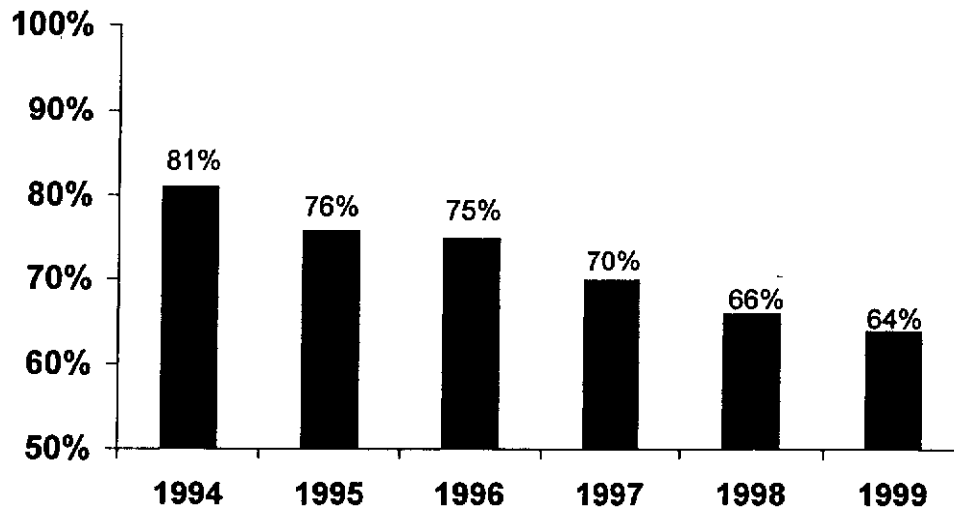


Year-ended 12/31/99

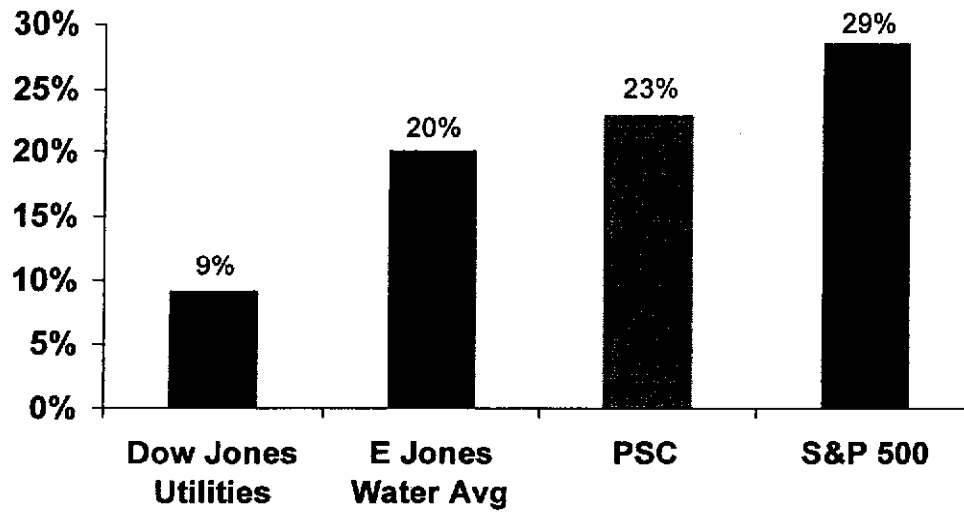
Dividend Rate



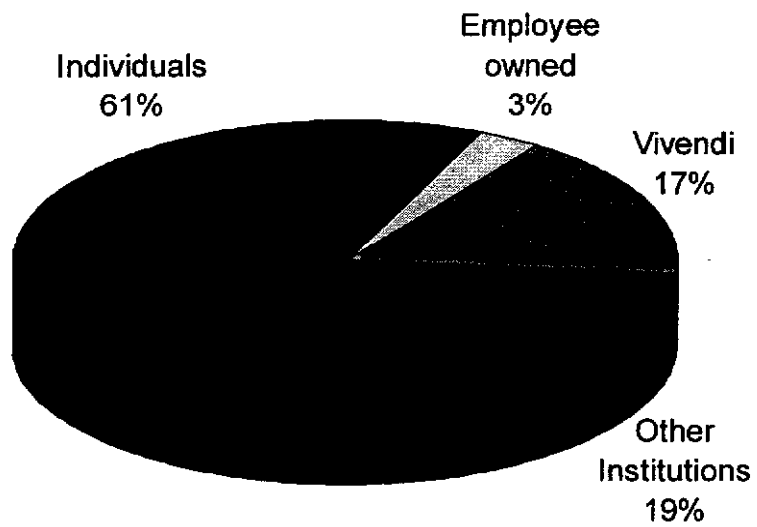
PSC Dividend Payout Ratio



Five Year Investment Growth (CAGR 12/94 - 12/99)



Ownership Profile



PSC Strategy

- *Enhance regulated business revenue / profit*
- *Disciplined Growth-through-Acquisition - grows customer base and net income*
- *Augment earnings with unregulated revenue potential - U.S. Filter alliance*
- *Steady long-term earnings growth*



2000 Goals

- *Continue aggressive acquisition roll-up strategy*
- *Revenue growth through rates*
- *Continued cost-containment programs - finalize Consumers Water synergies*
- *Increase capital infrastructure program*
- *Develop US Filter alliance opportunities*





Philadelphia Suburban
Corporation

Thank You
